
Capital Improvement Plan

What is a Capital Improvement Plan?

- The Capital Improvement Plan is a public document that communicates timing and costs associated with constructing, staffing, maintaining, and operating publicly financed facilities and improvements with a total cost over \$25,000. Capital expenditures that are less than \$25,000 are considered Operating Capital and are expended from the City's operating funds.
- It not only includes the short-term, defined herein as being the next five fiscal years, but also encompasses projects anticipated into the indefinite future.
- All costs for the five year plan are stated in current year dollars, with no adjustments for inflationary factors; as a result, actual construction costs may be higher due to inflation.
- The Plan is reviewed and updated annually, with a target date set in December of each year or in conjunction with operations budget.
- The Plan also serves as a foundation to the City's annual review of Development Fees and Operating Budgets to ensure that certain capital and operating costs are sufficiently recovered and budgeted.
- **What is a Capital Improvement Program?**
- The Capital Improvements Program includes the first five years of the Capital Improvement Plan.
- Projects included within the five year program must have sound cost estimates, an identified site, and verified financing sources, as well as confirmation that they can be staffed and maintained within budgetary constraints. Adherence to these requirements will ensure responsible planning and management of resources.
- The identification of a project within the five year program, however, does not guarantee construction. The initiation of any project requires other evaluations and approvals which must be completed for a project to advance to design and ultimately construction.

The Process

The Capital Improvement Plan (CIP) and Program are reviewed and approved by the City Council in December of each year or soon thereafter. The final approval of the CIP is provided through the City Council which, once projects are initiated, will result in the commitment of financial resources and the construction of publicly owned, operated, and maintained facilities.

It is beneficial to have the capital planning process completed prior to the annual budgeting process to ensure that sufficient capital and operating funding are included in the subsequent Annual

Operations Budget. The process, however, remains flexible regarding timing and inclusion of the information in the CIP, to take advantage of opportunities or respond to issues as they arise.

The following identifies major areas of responsibility in completing the Capital Improvement Program:

City Finance Department

The calendar, coordination, development, and preparation of the Capital Improvement Program are completed through the Finance Department. The department coordinates and reviews estimates of available financial resources and assumptions regarding their availability for each of the five years within the program.

The Finance Department also serves as the focus for all information, scheduling, and funding resources for departments in updating, preparing, and submitting projects. The Finance Department is also responsible for the completion of the final draft of the Capital Improvement Program.

Departments

Reality is the determining factor that all projects must meet in order to be submitted for inclusion in the program. Submittals have to be credible, meet demonstrated needs, and be sustainable for the capital improvements planning process to be successful.

Departments are responsible for preparing and submitting capital projects, which may include consultation with advisory committees, where appropriate. Departmental requests are to be realistic and cognizant of available sources of funding to construct improvements, as well as the ability to afford to maintain and operate them when completed.

All projects within the first two years of the program need to meet the additional standard of having clearly available and approved sources of funding and allowances for maintenance and operating costs.

Mayor and Council

The preliminary Capital Improvement Program will be presented to the City Council in April 2008 and proposed adoption in May 2008. Prior to the initiation of any individual project, additional approval must be provided by the City Council. Capital project authorizations are taken up subsequently by the City Council on a project by project basis.

Economic Assumptions and Financial Resources

Economic Assumptions

This Plan is based upon the following general assumptions:

- All costs are stated in current year dollars with no adjustments for inflation.

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- The rate of growth in the community will continue on an average of 1,200 additional single family units per year, and non-residential growth is projected at a proportional increase based upon commercial growth in the area;

Financial Resources

The most significant source of capital project funding are Development Impact Fees (**DIF**), which are charged to new growth in the community at the time building permits are issued. By state statute, DIF may only pay for the costs of projects associated with growth, so only growth related projects are DIF eligible. The following resource categories explain the available resources to fund and construct improvements:

Parks & Recreation DIF

At the adopted rate of \$313 per residential unit, approximately \$375,600 will be generated in 2008-09. This projection is based on 100 permits issued per month using current development fee. These funds are limited to expanding parks and associated recreation infrastructure to serve new growth in the community.

Library DIF

At the adopted rate of \$436 per residential unit, approximately \$523,200 will be generated in 2008-09. This projection is based on 100 permits issued per month using current development fee. These funds are limited to expanding library facilities and associated library infrastructure to serve new growth in the community.

Public Safety DIF

At the adopted rate of \$145 per residential unit and a per square foot charge for non-residential structures, approximately \$174,000 will be generated in 2008-09. This projection is based on 100 permits issued per month using current development fee. These funds are limited to expanding Public Safety services, facilities and infrastructure to serve new growth in the community.

General Government DIF

At the adopted rate of \$696 per residential unit and a per square foot charge for non-residential structures, approximately \$835,200 will be generated in 2008-09. This projection is based on 100 permits issued per month using current development fee. These funds are limited to expanding General Government services, facilities and infrastructure to serve new growth in the community. This includes administration, courts and similar improvement areas.

Transportation DIF

At the adopted rate of \$3,742 per residential unit and a per square foot charge for non-residential structures, approximately \$4,490,400 will be generated in 2008-09. This projection is based on 100

permits issued per month using current development fee. These funds are limited to expanding the transportation infrastructure within the City limits.

Grants

Grants are available for various types of projects through different sources and governmental agencies. If capital grants are listed as the funding source, the project will not proceed until the grant is awarded. A grant funded project may also require City matching funds, which should also be clearly stated in the project description. The City may use the appropriate DIF as the matching portion for most grants.

Long Term Debt

Bonds, Certificates of Participation, Loans and Capital Leases are various forms of Long-Term financing tools available to the City. One or more of these financing tools may be utilized to complete a project earlier than would be possible if the City waited until it had the funds on hand to fully pay for the project. However, each of these financing tools requires a revenue stream with which to repay the debt.

Developer (Private) Contributions

Developers contribute toward costs of capital projects when the construction is of direct benefit to their development and a requirement of the stipulations placed on the development's final plat. In some cases, funds are contributed toward a project from private sources as well. These sources are described as developer (if required) and private (if voluntary).